

SIGIR AUDIT STRATEGIC PLAN 2008-2009 March 2008

### **Foreword**

I am pleased to present the Office of Special Inspector General for Iraq Reconstruction's (SIGIR) Strategic Audit Plan for calendar years 2008-2009. This plan highlights our history, authorities, and auditing framework for approaching the vital work of Iraq reconstruction.

SIGIR provides independent and objective oversight of reconstruction programs and operations in Iraq through comprehensive audits, inspections, and investigations. Along with preventing, detecting, and deterring fraud, waste, and abuse, SIGIR's mission includes providing advice and recommendations on policies to promote economy, efficiency, and effectiveness. From day one, SIGIR has operated as a temporary organization, with limited staff in a fast paced, wartime environment, with many of its staff located in the Iraq Theater of operation.

The SIGIR mission is derived from Public Law 108-106, Section 3001, as amended. SIGIR is the successor to the Coalition Provisional Authority Office of Inspector General.

The Fiscal Year 2008 National Defense Authorization Legislation (Public Law 110-181) has given SIGIR an expanded mandate in terms of funds over which it has audit authority which will extend the life of SIGIR for some time to come. The 2008 legislation also assigns SIGIR an important role in planning a series of audits of Federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq.

SIGIR comprises a highly professional team of auditors, inspectors, and investigators focused on providing value to the Congress, the Administration, and the American people by leading, planning, coordinating and executing timely oversight of all funds appropriated for reconstruction in Iraq.

I and my leadership team look forward to undertaking this expanded endeavor, and building on the interagency coordination mechanisms we have previously established for coordinating our work.

Stuart W. Bowen, Jr.

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Inspector General

David R. Warren

Assistant Inspector General-Audit

## SIGIR Audit Strategic Plan, Calendar Years 2008-2009

### Mission

SIGIR provides independent and objective oversight of reconstruction programs and operations in Iraq through comprehensive audits, inspections, and investigations. Along with preventing, detecting, and deterring fraud, waste, and abuse, SIGIR's mission includes providing advice and recommendations on policies to promote economy, efficiency, and effectiveness.

### **Vision**

SIGIR comprises a highly professional team of auditors, inspectors, and investigators focused on providing value to the Congress, the Administration, and the American people by leading, planning, coordinating and executing timely oversight of all funds appropriated for reconstruction in Iraq.

## Goals & Key Objectives

Improve business practices and accountability in managing contracts and grants for Iraq reconstruction

- Fulfill SIGIR's legislative mandate for a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction
- Fulfill SIGIR's legislative mandate to develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction in Iraq, in consultation with other relevant Inspectors General

Strengthen the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction

- Review the progress, status, relative effectiveness, and continuing challenges related to U.S. funded efforts to facilitate (1) Iraqi governance, (2) economic development and provision of essential services, and (3) development and sustainment of Iraqi security forces
- Review the economy, efficiency, and effectiveness of individual components of the programs to support governance, economic development and essential services, and Iraq security

### Continuously improve SIGIR audit products and services

- Provide leadership and coordination to ensure adequate audit coverage across multiple funding streams and sources of funding affecting Iraq security and reconstruction activities
- Continuously improve audit management practices consistent with Government Auditing Standards

### Core Values

Professionalism	Productivity	Perseverance
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### A Commitment to Professionalism

We are objective and independent in our pursuit of excellence. We expect demonstrated competence, character, efficiency, and effectiveness from our staff. Moreover, we expect individual performance above the standard for our community. Teamwork is essential to our success. We carry out our work with the highest integrity and ethical conduct, always doing the right thing.

### A Commitment to Productivity

We are committed to maintaining the highest standards of production, producing both high quality and high quantity of product in recognition of the exigency of the matter over which we have oversight. We are committed to continuously improve and increase the quality of our products.

#### **A Commitment to Perseverance**

We are committed to persevere in executing our oversight responsibilities even under the difficult circumstances of operating under wartime conditions because we clearly appreciate the responsibilities of our mission and the expectation of the Congress, the Administration, and the American people to accomplish our mission.

## **Table of Contents**

Introduction		1
SIGIR Background and Authority		
Organizational Alignment and Reporting Responsibilities		
Audit Focus		7
Audit Goals, Objectives, and Outcome Measures		
External Factors That Could Affect the Achieving of our Goals		
Appendix I: SIGIR's Acronyms Used:	Enabling Legislation, As Amended	14
DOD IRRF SIGAR SIGIR	Department of Defense Iraq Reconstruction and Special Inspector General for Afghanistan Reconstruction Special Inspector General for Iraq Reconstruction	

### Introduction

This SIGIR Strategic Audit Plan provides the broad framework that guides more detailed planning across each of its product lines. SIGIR has always operated as a temporary organization—first slated to close in December 2004, until its first legislative extension put it under one formula that would have closed its offices in 2006. A second bill passed in December 2006 extended SIGIR again, with the potential for SIGIR to go out of business at the end of 2008. In all, SIGIR has had its mandate extended or changed a total of five times. The latest change, contained in the 2008 National Defense Authorization legislation now sets SIGIR's termination at 180 days after all but \$250 million in funds appropriated or otherwise made available for the reconstruction of Iraq are expended. Therefore, SIGIR estimates that its oversight could potentially continue another 3-5 years with a gradual ramp down during that time contingent upon the actual rate of expenditures. Given SIGIR's unique operating environment and future uncertainties, this strategic framework is being presented for the 2008-2009 time period.

In completing its work SIGIR is cognizant of its legislative mandate to provide for the independent and objective leadership and coordination of, and recommendations on policies designed to (a) promote economy efficiency, and effectiveness in the administration of Iraq relief and reconstruction programs and operations; and (b) prevent and detect waste, fraud, and abuse. Likewise, it is also cognizant of its mandate to coordinate with, and receive the cooperation of, other audit agencies engaged in oversight of Iraq reconstruction activities. particularly the Inspectors General of the Departments of State and Defense, and the United States Agency for International Development.

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs and operations. This includes an ongoing series of focused contract audits of major Iraq reconstruction contracts that will enable SIGIR to respond to congressional direction for a 'forensic audit" of U.S. spending associated with Iraq reconstruction and, in the future, will include other contract audit work as mandated by the 2008 Defense Authorization legislation.

The foundation for much of SIGIR's work to date has been construction projects funded through two congressional appropriations referred to as the Iraq Relief and Reconstruction Fund (IRRF)-1 and IRRF-2. With the addition of Fiscal Year 2006 Iraq reconstruction funds to SIGIR's oversight authority, we expanded our audit program to include the Iraq Security Forces Fund, the Economic Support Fund (as it relates to Iraq), the Commander's Emergency Response Program fund, and other funds. The most recent expansion of SIGIR's authority under the 2008 NDAA has placed all Iraq reconstruction funds for all years – currently estimated at \$47 billion, under SIGIR's oversight. SIGIR's oversight is concurrent with the oversight provided by the cognizant agencies' Inspectors General. SIGIR's unique ability to look across agency boundaries allows us to focus on the interrelation of programs that involve multiple agency effort. Coordination and deconfliction of audit plans with the respective agencies' Inspectors General are accomplished through the Iraq Inspectors General Council and other formal and informal coordination mechanisms.

In addition to our coverage of the funds within our purview and an expanded look into the largest funds currently being executed (ISFF, ESF and Commander's Emergency Response Program being foremost among them). This work will include assessing overall program areas as well as specific program components.

To provide more of a structural framework for its work going forward, SIGIR expects to complete its audit efforts within the context of three broad goals: (1) improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction; (2) assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction, and (3) continuously seeking to improve SIGIR products and services, part of which would include providing coordinated leadership in planning audit work related to Iraq reconstruction across multiple audit agencies having oversight responsibilities for Iraq reconstruction.

For the most recent summary of on-going and planned audits, see the SIGIR Quarterly Reports to Congress posted on our website at <a href="www.sigir.mil">www.sigir.mil</a>.

## **SIGIR Background and Authority**

The Office of the Special Inspector General for Iraq Reconstruction (SIGIR) is the successor to the Coalition Provisional Authority Office of Inspector General. SIGIR was created in October 2004 by an amendment to Public Law 108-106, triggered by the June 28, 2004 dissolution of the Coalition Provisional Authority. The amendment allowed SIGIR to continue the oversight that the Coalition Provisional Authority Office of Inspector General had established for Iraq reconstruction programs and operations. Specifically, SIGIR is mandated with oversight responsibility of the use, and potential misuse, of the Iraq Relief and Reconstruction Fund (IRRF) and all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Iraq.

Legislation enacted in October 2006 expanded the scope of SIGIR oversight to encompass all funds appropriated for FY 2006 to Iraq reconstruction, regardless of how they were designated. This added projects funded by the Iraq Security Forces Fund, the Economic Support Fund, the Commander's Emergency Response Program and other appropriations, totaling about \$32 billion. Other legislation signed into law in December 2006 contained a provision which requires that prior to its termination, SIGIR must prepare a final forensic audit report on funds deemed to be amounts appropriated or otherwise made available to the Iraq Relief and Reconstruction Fund. Subsequent legislation broadened this amendment to include funds used for Iraq reconstruction beyond the IRRF appropriation.<sup>1</sup>

Legislation enacted in January 2008, as part of the National Defense Authorization Act for Fiscal Year 2008, further expanded the pool of funds over which SIGIR may exercise oversight. It inserted the term "amounts appropriated or otherwise made available for the reconstruction of Iraq" in place of "the Iraq Relief and Reconstruction Fund" throughout section 3001 of Public Law 108-106, as amended. Likewise, it defined "amounts appropriated or otherwise made available for the reconstruction of Iraq" to mean amounts appropriated or otherwise made available for any fiscal year:

- (A) to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, and the Commanders' Emergency Response Program authorized under section 1202 of the National Defense Authorization for Fiscal Year 2006 (P.L. 109-163; 119 Stat. 3455-3456); or
- (B) for assistance for the reconstruction of Iraq under
  - the Economic Support Fund authorized under chapter 4 (i) of Part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2346 et seq.);

<sup>&</sup>lt;sup>1</sup>The fiscal year 2008 Defense authorization legislation stipulates that the final forensic audit report would be on all amounts appropriated or otherwise made available for the reconstruction of Iraq. SIGIR is fulfilling this requirement in part by completing a series of focused contract audits of large Iraq reconstruction contracts and will culminate this work with the requisite capping report to meet the requirement for a final forensic audit report.

- (ii) the International Narcotics Control and Law Enforcement account authorized under section 481 of the Foreign Assistance Act of 1961 (22 U.S.C. 2291); or
- (iii) <u>any other provision of law</u> (emphasis added).

As of fiscal year 2007, SIGIR had audit responsibility for nearly \$33 billion in funding devoted to Iraq reconstruction. However, based on an expansion of SIGIR's responsibility for overseeing funding for Iraq reconstruction contained in the fiscal year 2008 Defense authorization legislation, its audit responsibility now encompasses approximately \$47 billion, including funding across multiple years for the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISSF), Economic Support Fund (ESF), Commander's Emergency Response Fund (CERF), and other funding.

The scope of SIGIR's audit authority historically has been defined primarily in terms of relevant appropriation accounts with a precise definition of reconstruction often left unstated. However, SIGIR's enabling legislation gives some additional clarity to the issue where it characterizes contracts associated with Iraq reconstruction as being those

...that involves the use of amounts appropriated or otherwise made available for the reconstruction of Iraq with any public or private sector entity for any of the following purposes: (A) To build or rebuild physical infrastructure of Iraq. (B) To establish or reestablish a political or social institution of Iraq. (C) To provide products or services to the people of Iraq.

Beyond audit authority related to funding, the 2008 National Defense Authorization legislation contained a provision establishing a *Commission on Wartime Contracting* to review federal contracting for the reconstruction of Iraq and Afghanistan, logistical support of coalition forces operating in Iraq and Afghanistan, and the performance of security and intelligence functions in Iraq and Afghanistan. Apart from this specific provision creating this commission but nevertheless included under the same legislative subtitle, is the requirement for the DOD Inspector General, SIGIR, and a new Special Inspector General for Afghanistan Reconstruction (SIGAR) to develop audit plans. Section 842 of P.L. 110-181 provides that:

- The DOD Inspector General is to develop a "comprehensive" audit plan for a series of audits of contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan. The DOD Inspector General shall do so "in consultation with other Inspectors General" mentioned elsewhere in the section "with respect to any contracts…over which such Inspectors General have jurisdiction."
- SIGIR is to develop a comprehensive audit plan for a series of audits of Federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq. SIGIR shall do so "in consultation with other Inspectors General" mentioned elsewhere in the section "with respect to any contracts...over which such Inspectors General have jurisdiction." As discussed more fully later, SIGIR found, in its discussions with congressional staff associated with this latest legislation, a

- clear expectation that SIGIR undertake a significant body of work examining security contracts in Iraq comparable to its other audit efforts involving Iraq reconstruction.
- SIGAR is to develop a comprehensive plan parallel to SIGIR's but focused on Afghanistan. SIGAR shall do so "in consultation with other Inspectors General" mentioned elsewhere in the section "with respect to any contracts...over which such Inspectors General have jurisdiction."

All SIGIR reports relating to contracts in the security and reconstruction areas will be made available to the new commission.

A complete copy of SIGIR's enabling legislation, as amended, is included in appendix I. The authorities and responsibilities provided to SIGIR in law help to ensure that it has independence, both in fact and appearance, so that there is no impairment of SIGIR's objectivity. This includes the statutory independence provided under the Inspector General Act of 1978, intended to ensure the integrity and objectivity of Inspector General activities. The Inspectors General Act of 1978, as amended, authorizes Inspectors General to:

- conduct such audits and investigations, and issue such reports, as they believe appropriate (with limited national security and law enforcement exceptions)
- issue subpoenas for information and documents outside the agency (with the same limited exceptions)
- have direct access to all records and information of the agency
- have ready access to the agency head
- administer oaths for taking testimony
- hire and control their own staff and contract resources
- request assistance from any federal, state, or local governmental agency or unit

In addition, <u>P.L. 108-106</u>, as amended, has two specific requirements related to independence:

- No officer of the Department of Defense, the Department of State, or the United States Agency for International Development shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation related to the Iraq Relief and Reconstruction Fund, or from issuing any subpoena during the course of any such audit or investigation.
- Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or Secretary of Defense, as appropriate, and to the appropriate committees of Congress, without delay.

## Organizational Alignment and Reporting Responsibilities

SIGIR reports administratively to the Secretaries of State and Defense. This dual-reporting arrangement recognizes the joint responsibilities of these two cabinet departments for Iraq reconstruction. In addition, SIGIR provides reports directly to the Congress as provided in the office's founding statutes (Public Law 108-106 and pursuant to the Inspector General Act of 1978). By reporting directly to the Secretaries of State and Defense, SIGIR is able to have independent oversight of the major government organizations involved in Iraq reconstruction. It is responsible for:

- providing for the independent and objective execution and supervision of audits, inspections, and investigations
- providing quarterly and semi-annual reports directly to the U.S. Congress.
- providing objective leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the management of Iraq reconstruction programs and operations
- preventing and detecting fraud, waste, and abuse
- reviewing existing and proposed legislation and regulations and make appropriate recommendations
- maintaining effective working relationships with other governmental agencies and non-governmental organizations regarding oversight in Iraq;
- informing the Secretaries of State and Defense, and the Congress of significant problems, abuses, and deficiencies in operations, and track the progress of corrective actions
- reporting violations of law to the U.S. Attorney General and report to Congress on the prosecutions and convictions that have resulted from referrals

With SIGIR's dual reporting responsibilities, and the multi-agency nature of Iraq reconstruction efforts, SIGIR continues to consult and coordinate with other audit organizations include the U.S. Government Accountability Office; the Office of the Inspector General, Department of State; the Office of the Inspector General, Department of Defense; the Office of the Army Inspector General; the Office of the Inspector General, Department of Treasury; the Office of the Inspector General, U.S. Agency for International Development; the Defense Contract Audit Agency; the U.S. Army Audit Agency; the Naval Audit Service; and the Air Force Audit Agency. Representatives of these entities meet quarterly on the Iraq Inspectors General Council to formally coordinate audit activities to prevent duplication of effort and to share information gained from ongoing audit activity.

### **Audit Focus**

Generally Accepted Government Auditing Standards identify three types of audit engagements: (a) financial audits, (b) attestation engagements, and (c) performance audits. Nearly all SIGIR audits are best characterized as performance audits which typically provide an independent assessment of the performance and management of a program or contract against objective criteria. Just a few of SIGIR's engagements historically may be characterized as involving attestations which typically focused on verifying a narrow aspect of a programmatic or financial issue such as a "cash count" and related internal controls. SIGIR's performance audits often include aspects of financial management issues, but SIGIR does not perform financial audits because financial statement data related to the funds used in the execution of the mission in Iraq would be included in the applicable agencies' overall financial statement reporting.

SIGIR's performance audits generally assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs and operations. Audit objectives may include assessing;

- the adequacy of management oversight and controls to better ensure desired program outcomes and mitigate the potential for fraud, waste, and abuse;
- whether the audited entity is following sound procurement practices;
- the relative cost and benefits or cost effectiveness of programs;
- the existence, reliability, validity, or relevance of financial information related to the performance of a program;
- the validity and reliability of performance measures concerning program effectiveness and results, or economy and efficiency;
- whether a program produced intended results or produced effects that were not intended by the program's objectives;
- the extent to which legislative, regulatory, or organizational goals and objectives are being achieved; and
- the extent to which programs duplicate, overlap, or conflict with other related programs and the adequacy of program coordination where such instances occur.

As noted earlier, the foundation for much of SIGIR's work to date has been reconstruction projects funded through two congressional appropriations referred to as the Iraq Relief and Reconstruction Fund (IRRF)-1 and IRRF-2. Recent legislation expands the number of appropriations, programs and years of funding subject to SIGIR oversight.

## Audit Goals, Objectives, and Outcome Measures

SIGIR expects to complete its audit efforts within the context of three broad goals: (1) improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction; (2) assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction, and (3) continuously seeking to improve SIGIR products and services.

## Goal 1: Improving Business Practices and Accountability in Managing Contracts and Grants Designed to Facilitate Iraq Reconstruction

SIGIR will continue its emphasis on reviewing reconstruction contracts in line with past as well as newly mandated legislative requirements, and will give some focus to grants management, an area not addressed in prior audits. As noted earlier, SIGIR is legislatively mandated, prior to its termination, to prepare a final forensic audit report on all amounts appropriated or otherwise made available for the reconstruction of Iraq.<sup>2</sup> In preparation for fulfilling this requirement SIGIR has been completing a series of focused contract audits of large Iraq reconstruction contracts and will culminate this work with the requisite capping report to meet the requirement for a final forensic audit report. These audits have focused on overall contract administration and oversight, contract outcomes, and also included assessments of vulnerabilities to fraud, waste, and abuse. Future contract audit coverage will be expanded to include contracts across additional reconstruction funding appropriations, years of funding, programs, and include construction as well as non-construction contracts. Additionally, to increase SIGIR's capabilities to address our forensic audit and other expanded requirements, SIGIR expects to launch a pilot effort to form three two-person forensic audit cells, each comprised of an auditor and an investigator, to enhance our capacity to detect fraud and to develop the necessary evidentiary information to support civil or criminal prosecutions.

Adding another dimension to SIGIR's ongoing contract audits is the newly mandated requirement under the 2008 Defense Authorization legislation to develop a comprehensive audit plan for a series of audits of Federal agency contracts, subcontracts, and task and delivery orders for the <u>performance of security and reconstruction functions</u> in Iraq.

The scope of work outlined in the legislation, and discussions with key congressional staff indicate an expectation that SIGIR would undertake a significant body of work examining private security contracts used in Iraq much as it has had an extensive body of audit work on Iraq reconstruction contracts. This new work would be used as key input to the work of a newly authorized wartime contracting commission. The legislation outlines a wide ranging set of questions and issues unique to security contracts including:

8

<sup>&</sup>lt;sup>2</sup> Note: The original legislative mandate for a forensic audit stipulated its application to the Iraq Relief and Reconstruction Fund. Subsequent legislative amendments have modified that language to include "all amounts appropriated or otherwise made available for the reconstruction of Iraq.

- the manner in which contract requirements were developed and contracts or task and delivery orders were awarded;
- the manner in which the Federal agency exercised control over the performance of contractors;
- the extent to which operational field commanders were able to coordinate or direct the performance of contractors in an area of combat operations;
- the degree to which contractor employees were properly screened, selected, trained, and equipped for the functions to be performed;
- the nature and extent of any incidents of misconduct or unlawful activity by contractor employees;
- the nature and extent of any activity by contractor employees that was inconsistent with the objectives of operational field commanders; and
- the extent to which any incidents of misconduct or unlawful activity were reported, documented, investigated, and (where appropriate) prosecuted.

This will require a level of effort beyond SIGIR's already extensive focus on contract audits of reconstruction activities. For example, the legislation requires SIGIR to play a significant leadership role in planning and coordinating these audits with other relevant Inspectors General, including those in DOD, Department of State and Agency for International Development.

### SIGIR's objectives for this goal are:

- Fulfill SIGIR's legislative mandate for a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction
- Fulfill SIGIR's legislative mandate to develop a comprehensive plan for a series of audits of contracts, subcontracts and task and delivery orders for the performance of security and reconstruction in Iraq, in consultation with other relevant Inspectors General
- Influence actions that improve operational efficiency, accountability, resolve public concerns and management challenges, and achieve monetary savings; and
- Improve operational integrity and reduce risk of loss by detecting and/or preventing vulnerabilities to fraud, waste, and abuse.
- Assess the adequacy of agency oversight and controls regarding grants management.

### Outcome measures for this goal are:

- Management policies, processes, practices, and controls that lead to greater measures of economy, efficiency, and effectiveness
- Best practices and lessons learned identified for future use and implemented in the near-term where feasible
- Questioned costs, savings, recoveries
- Areas for referral for further investigations involving potential fraud or other unlawful activities

Goal 2: Assessing and Strengthening the Economy, Efficiency, and Effectiveness of Programs and Operations Designed to Facilitate Iraq Reconstruction

After nearly five years in Iraq, and during this period of transition and transfer, questions are expected to continually be asked concerning what overall progress has been made in accomplishing U.S. goals in key programmatic areas affecting the potential for stable Iraq self-governance, economic development, and security. Therefore, SIGIR will also devote resources to increase audit coverage of programs aimed at assisting in the reconstruction program's success. This work will include assessing overall program areas as well as specific program components.

To support its plan to evaluate the overall progress being made in accomplishing U.S. goals from a programmatic standpoint, SIGIR will organize work in this goal under broad areas of Iraq reconstruction emphasis including: (1) governance, (2) economic development and essential services, (3) Iraq security, and (4) cross-cutting issues/other. Within these areas, we will examine individual programs and activities related to such efforts as democracy building in the governance area; private sector development, electric generating capacity, or water treatment services in the economic development and essential services areas;<sup>3</sup> or development of logistics support capabilities in the Iraq security area. We will give emphasis to strengthening performance and results of individual programs, as well as coordination efforts among programs having similar objectives but funded from multiple sources; or managed on an interagency basis.

### SIGIR's objectives for this goal are the following:

- Review the progress, status, relative effectiveness, and continuing challenges, if any, related to U.S. funded efforts to facilitate (1) Iraqi governance, (2) economic development and provision of essential services, and (3) development and sustainment of Iraqi security forces
- Review ways to improve the economy, efficiency, and effectiveness of individual components of the programs to support governance, economic development and essential services, and Iraq security
- Identify actions to improve program planning, coordination, accountability, and ensure effective use of resources
- Improve operational integrity and reduce risk of loss by detecting and/or preventing vulnerabilities to fraud, waste, and abuse

### Outcome measures for this goal are:

- T...

Strengthening metrics used for assessing program progress

• Improved program planning, coordination, management, and results

<sup>&</sup>lt;sup>3</sup> Within the area of essential services we would also include some audit work in the area of humanitarian aid (within the framework of Iraq "Relief" and reconstruction.)

- Increased visibility to issues needing sustained attention and strengthened emphasis on action plans for addressing them
- Increased multi-agency coordination and cooperation in planning and executing programs having similar objectives
- Enhanced basis for future decision-making
- Best practices identified and implemented

# Goal 3: Continuously Improve SIGIR Products, Services, and Audit Leadership Capacity

As SIGIR evolves with an expanded mission and tenure, it is incumbent upon the organization to focus inward as well as outward to ensure that it leads by example in the management of its resources, is responsive to its legislative mandates and seeks opportunities to leverage its resources across its product lines and services to better optimize the economy, efficiency and effectiveness of its own operations. While this is set out as a separate goal for administrative purposes, many of the implementing actions will largely occur under the first two audit goals to the extent they impact the planning for and implementation of individual audit engagements within those goals. One initiative planned under this goal involves a proposed SIGIR pilot effort involving the formation of three 2-person Joint Forensic Audit Cells. Two cells would be headquartered in Arlington and one would be headquartered in Baghdad. Such teams are considered leading edge by agencies such as the Government Accountability Office, the Department of Homeland Security, and others, in combining audit and investigative resources to detect vulnerabilities to fraud, waste, and abuse, while developing the necessary evidentiary information to make determinations regarding the feasibility for civil or criminal prosecutions.

### SIGIR's objectives for this goal are the following:

- Continuously strengthen focus on fraud, waste and abuse through a pilot effort to create a forensic audit cell staffed with audit and investigative personnel, and other personnel as required
- Providing leadership and coordination in ensuring adequate audit coverage across multiple funding streams, sources of funding, and other audit agencies regarding Iraq reconstruction
- Continuously improve audit management practices in line with more tenured audit organizations
- Increase use of automation technology (such as video conferencing) to increase productivity
- Continue to identify synergies from closer collaboration among SIGIR audit, inspection, investigation, and quarterly reporting functions
- Continuously improve strategic and tactical audit plans and processes to support the accomplishment of SIGIR's overall mission

### Outcome measures for this goal are:

- Audit coverage across multiple funding streams and sources of funding affecting Iraq reconstruction
- Audit coverage to meet the needs of special legislative mandates for contract audits
- Strengthened operations across all product and service lines
- Strengthen ability to pass upcoming and future audit peer reviews

## External Factors That Could Affect the Achieving of Our Goals

Several external factors could affect the achievement of our performance goals. These include the temporary nature of SIGIR's organization, legislatively mandated audit requirements coupled with resource constraints, as well as uncertainties associated with our operating and security environment.

As noted earlier, SIGIR has always operated as temporary organizations—first slated to close in December of 2004, until our first legislative extension put on one formula that would have closed our offices in 2006. A second bill passed in December 2006 extended us again, with the potential for us to have terminated operations in 2008. Now, with passage of the 2008 Defense Authorization legislation, SIGIR's operations have once again been extended. The 2008 legislation provided a new definition of when SIGIR would cease operations—time until 180 days after all but \$250 million in funds appropriated or otherwise made available for the reconstruction of Iraq are expended. While that suggests SIGIR could be in operation for several more years, changing conditions could affect the level of operations required, as well as staffing and funding availability.

As with many organizations SIGIR has been subject over time to increasing requirements for audits stipulated in legislation, such as the requirement for a forensic audit and the requirements in the 2008 legislation to develop a comprehensive plan for a series of contract audits related to Iraq reconstruction and security. This will necessitate careful prioritization of audits undertaken in consultation with our congressional clients to provide appropriate levels of coverage in line with congressional mandates and fiscal, staffing, and other operational constraints related to our operating environment.

The nature of SIGIR's work is that we operate in a fast-paced wartime environment in Iraq which carries with it constraints on travel in-theater, risks to health and safety, and continuing uncertainties regarding changes in the security environment and levels of U.S. operations in the future. The unique aspect of SIGIR's is that, a large portion of SIGIR's personnel are stationed and work out of Baghdad. Five SIGIR personnel have been wounded in Iraq, which attests to the challenges of operating in that environment. SIGIR minimizes risks by careful assessments of travel requirements, limiting them where necessary, and performing audit work from its Arlington headquarters when practical to do so. Nevertheless, this will continue to be an issue that will require periodic reassessment, often with decisions made by others outside of our control affecting our mobility in theater. For example, our plans must be guided by DOD and Embassy decisions regarding whether it is safe to travel to certain locations and the availability of security and appropriate means of transportation.

### SIGIR's Enabling Legislation, As Amended

This is a "confonned" text of Section 3001 of the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004 (Public Law 108—106; 117 Stat. 1209, 1234—1238; 5 U.S.C. app. 8G note), as cumulatively amended by:

- Pub.L. 108-375 Section 1203 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Yea 2005;
- Pub.L. 109-102 Section 599 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006;
- Pub.L. 109-364 Sections 1054 &1071 of the John Warner National Defense Authorization Act for Fiscal Yea 2007;
- Pub.L. 109-440 Section 2 of the Iraq Reconstruction Accountability Act of 2006;
- Pub.L. 110-28 Section 3801 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007; and
- Pub.L. 110-181 Section 1221 of the National Defense Authorization Act for Fiscal Yea 2008.

### SEC. 3001. SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION.

- (a) **PURPOSES**.—The purposes of this section are as follows:
- (1) To provide for the independent and objective conduct and supervision of audits and investigations relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Traq.
- (2) To provide for the independent and objective leadership and coordination of, and recommendations on, policies designed to—
  - (A) promote economy efficiency, and effectiveness in the administration of such programs and operations; and
  - (B) prevent and detect waste, fraud, and abuse in such programs and operations.
- (3) To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress for corrective action.
- **(b) OFFICE OF INSPECTOR GENERAL**.—There is hereby established the Office of the Special Inspector General for Iraq Reconstruction.
- (c) APPOINTMENT OF INSPECTOR GENERAL; REMOVAL.—(1) The head of the Office of the Special Inspector General for Iraq Reconstruction is the Special Inspector General for Iraq Reconstruction (in this section referred to as the 'Inspector General'), who shall be appointed by the Secretary of Defense, in consultation with the Secretary of State.
- (2) The appointment of Inspector General shall be made solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations.
- (3) The nomination of an individual as Inspector General shall be made not later than 30 days after the date of the enactment of this Act.

Note: § 1203(b) of the Ronald W Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108—375) provided: "CONTINUATION IN OFFICE.—The individual serving a Inspector General of the Coalition Provisional Authority as of the date of the enactment of this Act may continue to serve in that position after that date without reappointment under paragraph (1) of section 3001(c) of the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, but remaining subject to removal as specified in paragraph (4,) of that section."

- (4) The Inspector General shall be removable from office in accordance with the provisions of section 3(b) of the Inspector General Act of 1978 (5 U.S.C. App.).
- (5) For purposes of section 7324 of title 5, United States Code, the Inspector General shall not be considered an employee who determines policies to be pursued by the United States in the nationwide administration of Federal law.

(6) The annual rate of basic pay of the Inspector General shall be the annual rate of basic pay provided for positions at level IV of the Executive Schedule under section 5315 of title 5. United States Code.

- (d) ASSISTANT INSPECTORS GENERAL.—The Inspector General shall, in accordance with applicable laws and regulations governing the civil service—-
- (1) appoint an Assistant Inspector General for Auditing who shall have the responsibility for supervising the performance of auditing activities relating to programs and operations supported by amounts appropriated or otherwise made available for the reconstruction of Iraq; and
- (2) appoint an Assistant Inspector General for Investigations who shall have the responsibility for supervising the performance of investigative activities relating to such programs and operations.
- (e) **SUPERVISION.**—(1) Except as provided in paragraph (2), the Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense.
- (2) No officer of the Department of Defense, the Department of State, or the United States Agency for International Development shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation related to amounts appropriated or otherwise made available for the reconstruction of Iraq or from issuing any subpoena during the course of any such audit or investigation.
- **(f) DUTIES**.—(1) It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Iraq, and of the programs, operations, and contracts carried out utilizing such funds, including—-
  - (A) the oversight and accounting of the obligation and expenditure of such funds;
  - (B) the monitoring and review of reconstruction activities funded by such funds;
  - (C) the monitoring and review of contracts funded by such funds;
  - (D) the monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities; and
  - (E) the maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such funds.
- (2) The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duty under paragraph (1).
- (3) In addition to the duties specified in paragraphs (1) and (2), the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978.
- (4) In carrying out the duties, responsibilities, and authorities of the Inspector General under this section, the Inspector General shall coordinate with, and receive the cooperation of, each of the following:
  - (A) The Inspector General of the Department of State.
  - (B) The Inspector General of the Department of Defense.
  - (C) The Inspector General of the United States Agency for International Development.

(g) **POWERS AND AUTHORITIES.**—(1) In carrying out the duties specified in subsection (f), the Inspector General shall have the authorities provided in section 6 of the Inspector General Act of 1978 including the authorities under subsection (e) of such section.

- (2) The Inspector General shall carry out the duties specified in subsection (f)(1) in accordance with section 4(h)(1) of the Inspector General Act of 1978.
- (h) PERSONNEL, FACILITIES, AND OTHER RESOURCES.—(1) The Inspector General may select, appoint, and employ such officers and employees as may be necessary for carrying out the duties of the Inspector General, subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates, and may exercise the authorities of subsections (b) thorough (i) of section 3161 of title 5, United States Code (without regard to subsection (a) of such section).
- (2) The Inspector General may obtain services as authorized by section 3109 of title 5, United States Code, at daily rates not to exceed the equivalent rate prescribed for grade GS—1 5 of the General Schedule by section 5332 of such title.
- (3) To the extent and in such amounts as may be provided in advance by appropriations Acts, the Inspector General may enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, and make such payments as may be necessary to carry out the duties of the Inspector General. (4)(A) Upon request of the Inspector General for information or assistance from any
- department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee.
- (B) Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or Secretary of Defense, as appropriate, and to the appropriate committees of Congress without delay.
- (5) The Secretary of State or Secretary of Defense, as appropriate, shall provide the Inspector General with appropriate and adequate office space within the Department of Defense or at appropriate locations of the Department of State in Iraq, together with such equipment, office supplies, and communications facilities and services as may be necessary for the operation of such offices, and shall provide necessary maintenance services for such offices and the equipment and facilities located therein.
- (I) REPORTS.—(1) Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Iraq, including the following:
  - (A) Obligations and expenditures of appropriated funds.

(B) A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Iraq, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program.

- (C) Revenues attributable to or consisting of funds provided by foreign nations or international organizations, and any obligations or expenditures of such revenues.
- (D) Revenues attributable to or consisting of foreign assets seized or frozen, and any obligations or expenditures of such revenues.
- (E) Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Iraq.
- (F) In the case of any contract described in paragraph (2)—
  - (i) the amount of the contract or other agreement;
  - (ii) a brief discussion of the scope of the contract or other agreement;
  - (iii) a discussion of how the contracting department or agency identified, and solicited offers from, potential contractors to perform the contract, together with a list of the potential contractors that were issued solicitations for the offers; and
  - (iv) the justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition.
- (2) A contract described in this paragraph is any major contract or other agreement that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Iraq with any public or private sector entity for any of the following purposes:
  - (A) To build or rebuild physical infrastructure of Iraq.
  - (B) To establish or reestablish a political or societal institution of Iraq.
  - (C) To provide products or services to the people of Iraq.
- (3) The Inspector General shall submit to the appropriate committees of Congress semiannual reports meeting the requirements of section 5 of the Inspector General Act of 1978. The first such report for a year, covering the first six months of the year, shall be submitted not later than July 31 of that year, and the second such report, covering the second six months of the year, shall be submitted not later than January31 of the following year.
- (4) The Inspector General shall publish each report under this subsection in both English and Arabic on the Internet website of the Secretary of State and the Secretary of Defense.
- (5) Each report under this subsection may include a classified annex if the Inspector General considers it necessary.
- (6) Nothing in this subsection shall be construed to authorize the public disclosure of information that is—
  - (A) specifically prohibited from disclosure by any other provision of law;
  - (B) specifically required by Executive order to be protected from disclosure in the interest of national defense or national security or in the conduct of foreign affairs; or
  - (C) a part of an ongoing criminal investigation.

(j) REPORT COORDINATION.—(1) The Inspector General shall also submit each report under subsection (i) to the Secretary of State and the Secretary of Defense. (2)(A) Not later than 30 days after receipt of a report under paragraph (1), the Secretary of State or the Secretary of Defense may submit to the appropriate committees of Congress any comments on the matters covered by the report as the Secretary of State or the Secretary of Defense, as the case may be, considers appropriate.

- (B) A report under this paragraph may include a classified annex if the Secretary of State or the Secretary of Defense, as the case may be, considers it necessary.
- (k) TRANSPARENCY.—(1) Not later than 60 days after the date of the submittal to Congress of a report under subsection (i), the Secretary of State and the Secretary of Defense shall jointly make copies of such report available to the public upon request, and at a reasonable cost.
- (2) Not later than 60 days after the date of the submittal to Congress under subsection (j)(2) of comments on a report under subsection (i), the Secretary of State and the Secretary of Defense shall jointly shall make copies of such comments available to the public upon request, and at a reasonable cost.
- (1) WAIVER.—(1) The President may waive the requirement under paragraph (1) or (3) of subsection (i) for the inclusion in a report under such paragraph of any element otherwise provided for under such paragraph if the President determines that the waiver is justified for national security reasons.
- (2) The President shall publish a notice of each waiver made under this subsection in the Federal Register no later than the date on which the reports required under paragraph (1) or (3) of subsection (i) are submitted to Congress. The reports required under paragraph (1) or (3) of subsection (i) shall specify whether waivers under this subsection were made and with respect to which elements.

### (m) **DEFINITIONS.**—In this section—

- (1) the term 'appropriate committees of Congress' means----
  - (A) the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate; and
  - (B) the Committees on Appropriations, Armed Services, Foreign Affairs, and Oversight and Government Reform of the House of Representatives; and
- (2) the term 'amounts appropriated or otherwise made available for the reconstruction of Iraq' means amounts appropriated or otherwise made available for any fiscal year
  - (A) to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, and the Commanders' Emergency Response Program authorized under section 1202 of the National Defense Authorization for Fiscal Year 2006 (Public Law 109—163; 119 Stat. 3455—3456); or
  - (B) for assistance for the reconstruction of Iraq under—
    - (i) the Economic Support Fund authorized under chapter 4 of part II of the Foreign Assistance Act of 1961(22 U.S.C. 2346 et seq.);
    - (ii) the International Narcotics Control and Law Enforcement account authorized under section 481 of the Foreign Assistance Act of 1961 (22 USC. 2291); or
    - (iii) any other provision of law.

(n) **FUNDING.**—(1) Of the amounts appropriated for fiscal year 2004 for the Operating Expenses of the Coalition Provisional Authority in title II of this Act, \$75,000,000 shall be available to carry out this section.

- (2) The amount available under paragraph (1) shall remain available until expended. Note: Chapter 6 of Title I of US. Troop Readiness, Veterans' Care, Katrina Recovery and Iraq Accountability Appropriations Act, 2007 (Public Law 110—28) provided an appropriation of \$35, 000,000, to be transferred from the Office of Inspector General of the Department of State to the Special Inspector General for Iraq Reconstruction for reconstruction oversight, to remain available until December 3], 2008.
- (o) **TERMINATION.**—(1) The Office of the Inspector General shall terminate 180 days after the date on which amounts appropriated or otherwise made available for the reconstruction of Iraq that are unexpended are less than \$250,000,000.
- (2) The Special Inspector General for Iraq Reconstruction shall, prior to the termination of the Office of the Special Inspector General under paragraph (1), prepare a final forensic audit report on all amounts appropriated or otherwise made available for the reconstruction of Iraq.

Note: Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181) provided:

## SFC. 842. 1 INVESTIGATION OF WASTE, FRAUD, AND ABUSE IN WARTIME CONTRACTS AND CONTRACTING PROCESES IN IRAQ AND AFGHANISTAN

- (a) **AUDITS REQUIRED**.—Thorough audits shall be performed in accordance with this section to identify potential waste, fraud, and abuse in the performance of—
  - (1) Department of Defense contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan; and
  - (2) Federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq and Afghanistan.

### (b) AUDIT PLANS -

- (1) The Department of Defense Inspector General shall develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders covered by subsection (a) (1), consistent with the requirements of subsection (g), in consultation with other Inspectors General specified in subsection (c) with regard to any contracts, subcontracts, or task or delivery orders over which such Inspectors General have jurisdiction.
- (2) The Special Inspector General for Iraq Reconstruction shall develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders covered by subsection (a)(2) relating to Iraq, consistent with the requirements of subsection (h), in consultation with other Inspectors General specified in subsection (c) with regard to any contracts, subcontracts, or task or delivery orders over which such Inspectors General have jurisdiction.
- (3) The Special Inspector General for Afghanistan Reconstruction shall develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders covered by subsection (a) (2) relating to Afghanistan, consistent with the requirements of subsection (h), in consultation with other Inspectors General specified in subsection (c) with regard to any contracts, subcontracts, or task or delivery orders over which such Inspectors General have jurisdiction.

(c)PERFORMANCE OF AUDITS BY CERTAIN INSPECTORS GENERAL—The Special Inspector General for Iraq Reconstruction, during such period as such office exists, the Special Inspector General for Afghanistan Reconstruction, during such period as such office exists, the Inspector General of the Department of Defense, the Inspector General of the Department of State, and the Inspector General of the United States Agency for International Development shall perform such audits as required by subsection (a) and identified in the audit plans developed pursuant to subsection (b) as fall within the respective scope of their duties as specified in law.

- (d) **COORDINATION OF AUDITS**—The Inspectors General specified in subsection (c) shall work to coordinate the performance of the audits required by subsection (a) and identified in the audit plans developed under subsection (b) including through councils and working groups composed of such Inspectors General.
- **(e) JOINT AUDITS** If one or more audits required by subsection (a) and identified in an audit plan developed under subsection (b) falls within the scope of the duties of more than one of the Inspectors General specified in subsection (c), and such Inspectors General agree that such audit or audits are best pursued jointly, such Inspectors General shall enter into a memorandum of understanding relating to the performance of such audit or audits.
- **(f) SEPARATE AUDITS**—If one or more audits required by subsection (a) and identified in an audit plan developed under subsection (b) falls within the scope of the duties of more than one of the Inspectors General specified in subsection (c), and such Inspectors General do not agree that such audit or audits are best pursued jointly, such audit or audits shall be separately performed by one or more of the Inspectors General concerned.
- (g) SCOPE. (IF AUDITS (YE CON .[RAC S—Audits conducted pursuant to subsection (a) (1) shall examine, at a minimum, one or more of the following issues:
  - (1) The manner in which contract requirements were developed.
  - (2) The procedures under which contracts or task or delivery orders were awarded.
  - (3) The terms and conditions of contracts or task or delivery orders.
  - (4) The staffing and method of performance of contractors, including cost controls.
  - (5) The efficacy of Department of Defense management and oversight, including the adequacy of staffing and training of officials responsible for such management and oversight.
  - (6) The flow of information from contractors to officials responsible for contract management and oversight.
- (h) SCOPE OF AUDITS OF CONTRACTS—Audits conducted pursuant to subsection
- (a) (2) shall examine, at a minimum, one or more of the following issues:
  - (1) The manner in which contract requirements were developed and contracts or task and delivery orders were awarded.
  - (2) The manner in which the Federal agency exercised control over the performance of contractors.
  - (3) The extent to which operational field commanders were able to coordinate or direct the performance of contractors in an area of combat operations.
  - (4) The degree to which contractor employees were properly screened, selected, trained, and equipped for the functions to be performed.

(5) The nature and extent of any incidents of misconduct or unlawful activity by contractor employees.

- (6) The nature and extent of any activity by contractor employees that was inconsistent with the objectives of operational field commanders.
- (7) The extent to which any incidents of misconduct or unlawful activity were reported, documented, investigated, and (where appropriate) prosecuted.

(I) INDEPENDENT CONDUCT OF AUDIT FUNCTIONS -- All audit functions under this section, including audit planning and coordination, shall be performed by the relevant Inspectors General in an independent manner, without consultation with the Commission established pursuant to section 841 of this Act. All audit reports resulting from such audits shall be available to the Commission.